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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C.

FCC 93-493

In the Matter of)

Local Exchange Carriers' Rates,
Terms and Conditions for
Expanded Interconnection for
Special Access)

CC Docket No. 93-162 ✓
Phase I

FIRST REPORT AND ORDER

Adopted: November 9, 1993; Released: November 12, 1993

By the Commission:

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I. INTRODUCTION

1. On July 23, 1993, the Common Carrier Bureau (Bureau) released a Designation Order¹ in the above-captioned docket, which sought specific information from the Tier 1 local exchange carriers (LECS) listed in Appendix A² regarding the rate levels, rate structures, and numerous terms and conditions in their special access expanded interconnection tariffs. These tariffs were the subject of the Bureau's Suspension Order in CC Docket No. 93-162,³ which, *inter alia*, partially suspended the LECs' special access expanded interconnection tariffs pursuant to Section 204(a) of the Communications Act, 47 U.S.C. § 204(a), initiated an investigation into the lawfulness of these tariffs, imposed an accounting order, rejected patently unlawful terms and conditions and ordered certain tariff revisions.

2. In this Order, we address on an interim basis the LECs'⁴ development of overhead loading factors⁵ for expanded interconnection services. Based on our review of the LECs' direct cases and accompanying cost support data, we conclude that the LECs have thus far failed to meet their burden of proof under Section 204(a) of demonstrating

¹ Local Exchange Carriers' Rates, Terms and Conditions for Expanded Interconnection for Special Access, CC Docket No. 93-162, 8 FCC Rcd 6909 (Com.Car.Bur. 1993) (Designation Order).

² Appendix A provides the full and abbreviated names of these LECs as used in this Order. GTOC and GSTC are referred to collectively as GTE; United and Centel are referred to collectively as United/Centel.

³ Local Exchange Carriers' Rates, Terms and Conditions for Expanded Interconnection for Special Access, 8 FCC Rcd 4589 (Com.Car.Bur. 1993), apps. for review pending (Suspension Order). The applications for review filed by NYNEX, US West and SWB will be addressed in a subsequent Order.

⁴ We note that although the Designation Order sought information from all Tier 1 LECs, in the instant Order we address only those Tier 1 LECs that were subject to specific disallowances based on their overhead loading levels in the Suspension Order. Accordingly, because the Bureau made no overhead disallowances for Pacific Bell, Lincoln and SNET, we do not include these carriers when we refer to "LECs" in the instant Order. We note that Pacific Bell, Lincoln and SNET submitted information pursuant to the Designation Order, but we do not address their comments in this Order.

⁵ An overhead loading factor is the ratio of price to unit direct cost or total revenue to total direct cost. See Suspension Order, 8 FCC Rcd at 4596, n.109.

that their overhead loading amounts are just and reasonable.⁶ Thus, based on the current record, we find that the LECs have not demonstrated that their originally filed rates for expanded interconnection are just and reasonable in compliance with the Communications Act, and we therefore find those rates to be unlawful, as set forth below. We find, however, that either requiring removal of expanded interconnection service because of the LECs' failure to justify their rates or, alternatively, allowing apparently unreasonably high rates to take effect, would frustrate the competitive goals of our expanded interconnection proceeding. Therefore, we prescribe, on an interim basis, a maximum permissible overhead loading factor for expanded interconnection rates, pending further investigation, after which we expect to determine and, if necessary, prescribe rate levels that are just and reasonable. As discussed, *infra*, our interim prescription is subject to a two-way adjustment mechanism that will protect both the customers and the LECs in the event refunds or supplemental payments are warranted at the conclusion of our further investigation. We also make an interim adjustment to Ameritech's Rate Adjustment Factor for its Central Office Build-Out Charge based on Ameritech's Carrier Access Billing System Costs. We reserve all issues designated for investigation for final resolution in a subsequent Order.

II. BACKGROUND

3. On October 19, 1992, this Commission released the Expanded Interconnection Order, CC Docket No. 91-141,⁷ which required Tier 1 LECs to file tariffs offering expanded interconnection for special access services to all interested parties. Specifically, the Expanded Interconnection Order required these LECs to permit competitors and users to terminate their own special access transmission facilities at LEC central offices and to interconnect with LEC special access services.⁸ Pursuant to the Expanded Interconnection Order, the Tier 1 LECs listed in Appendix A filed tariffs

⁶ Section 204(a)(1) provides, in pertinent part, that "...the burden of proof to show that the new or revised charge, or proposed charge, is just and reasonable shall be upon the carrier, and the Commission shall give to the hearing and decision of such questions preference over all questions pending before it and decide the same as speedily as possible."

⁷ Expanded Interconnection with Local Telephone Company Facilities, CC Docket No. 91-141, Report and Order and Notice of Proposed Rulemaking, 7 FCC Rcd 7369 (1992) (Expanded Interconnection Order), recon., 8 FCC Rcd 127 (1992); pets. for recon. pending, appeal pending sub nom. Bell Atlantic Corp. v. FCC, No. 92-1619 (D.C. Cir., filed Nov. 25, 1992).

⁸ Expanded Interconnection Order, 7 FCC Rcd at 7372; 7398. The Expanded Interconnection Order excluded NECA pool members from this filing requirement. This effectively excluded only Puerto Rico Telephone Company, which is the only Tier 1 LEC that is also a NECA pool member. *Id.* at 7398.

⁹ *Id.* at 7372. The Expanded Interconnection Order mandated interconnection through the provision of physical collocation, except in limited instances upon commission approval, and virtual collocation where physical collocation is not provided and under certain other circumstances.

scheduled to become effective May 16, 1993. These tariffs were subsequently deferred to June 16, 1993.¹⁰

4. In the Docket 93-162 Suspension Order, released June 9, 1993, the Bureau took action regarding the rates, and several terms and conditions in the LECs' expanded interconnection tariffs. Based on its finding that the tariffs raised significant questions of lawfulness, the Bureau suspended rates in their entirety for one day, and, as discussed infra, partially suspended the rates for the remainder of the five-month suspension period.¹¹ The Bureau found, inter alia, that rate levels were influenced significantly by the LECs' choice of overhead factors, none of which was adequately justified as required by the Commission's Expanded Interconnection Order. The Expanded Interconnection Order cautioned LECs that if they chose to reflect fully distributed cost (FDC) overhead loadings in their expanded interconnection rates, the Commission would compare such loadings to the overhead loadings used for other services and require justification for any differences.¹² The Bureau compared the LECs' overhead factors to overhead factors derived from 1992 special access Automated Reporting Management Information System (ARMIS) data. That comparison revealed that all LECs used overhead factors that either approximated or exceeded the ARMIS FDC level for the special access category as a whole.¹³

5. The Bureau noted that although many LECs claimed their overhead factors for expanded interconnection rates were derived from various types of special access cost data, virtually none provided any information regarding loadings for special access services, such as DS1 and DS3 services, much less demonstrated comparability or justification for noncomparability with special access services.¹⁴ Given the LECs' failure to justify their proposed overhead loadings, the Bureau concluded that ARMIS FDC overhead levels represented the "best currently available verifiable surrogate."¹⁵

¹⁰ See e.g. Letter from Gregory J. Vogt, Chief, Tariff Division to Southwestern Bell Telephone Co., Special Permission No. 93-384 (May 14, 1993).

¹¹ Suspension Order, 8 FCC Rcd at 4591.

¹² Expanded Interconnection Order, 7 FCC Rcd at 7429.

¹³ Suspension Order, 8 FCC Rcd at 4597.

¹⁴ Id. In many cases, LECs failed to provide sufficient cost data to determine the overhead factor for a particular rate, or did not comply with the requirements of the Commission's Part 69 ONA Order. Amendment of Part 69 of the Commission's Rules Relating to the Creation of Access Charge Subelements for Open Network Architecture, Policy and Rules Concerning Rates for Dominant Carriers, 7 FCC Rcd 5235 (1992) (Part 69 ONA Order). Moreover, the Bureau stated, most LECs varied their expanded interconnection overhead factors from rate to rate and did so without explanation, contrary to the requirements of both the Expanded Interconnection Order and the Part 69 ONA Order. Suspension Order, 8 FCC Rcd at 4597.

¹⁵ Suspension Order, 8 FCC Rcd at 4597.

6. The Bureau then calculated special access overhead loading ratios for each LEC using each LEC's own 1992 ARMIS special access cost data, adjusted to eliminate double-counting of overhead costs. The Bureau believed some double-counting occurred because the LECs established rate elements for expanded interconnection specifically to recover costs that would ordinarily be included as FDC overheads on all rates. For example, cage construction and space charges recover land and building costs, a substantial component of general support facilities (GSF); while electric power charges, service ordering and application fees, and certain nonrecurring charges for expanded interconnection recover substantial portions of network operations expenses. Thus, the Bureau reasoned, LECs appeared to be double-recovering these overhead costs, first through stand-alone rate elements and second through overhead loading factors. Accordingly, the Bureau partially suspended the rates to the extent they included, without adequate explanation, overhead loadings that exceeded ARMIS FDC levels for special access services less double-counting.¹⁶ The Bureau also ordered the LECs to adjust their overhead loadings downward to reflect the reallocation of GSF costs from the special access category to the common line category as required by the GSF Order.¹⁷

7. To aid in resolving issues identified in the Suspension Order, as well as additional issues with respect to expanded interconnection rates, the Designation Order directed the LECs to provide specific cost support data delineated in the Tariff Review Plan (TRP) that accompanied the Designation Order.¹⁸ In order to evaluate the reasonableness of overhead loading amounts, the Bureau requested that the LECs explain the derivation of overhead loading factors for expanded interconnection service, as well as for comparable services. Specifically, the Bureau required the LECs to provide the overhead amounts or overhead factors used to develop each rate element of expanded interconnection service, to explain the basis for these factors, and to demonstrate how they were derived. LECs were asked to justify any "rounding" of costs in the filed rates, and to provide sources used to compute overhead ratios. To the extent that overheads varied among expanded interconnection rate elements, LECs were asked to explain why.

¹⁶ To determine whether the LECs' rates exceeded FDC levels less double-counting, the Bureau compared the adjusted ARMIS overhead factor for each LEC to the LEC's expanded interconnection overhead factor for each of its rates. The Bureau then calculated a rate adjustment factor (RAF) to adjust downward the LEC's rates to the extent they reflected an overhead factor higher than the ARMIS factor. Suspension Order, 8 FCC Rcd at 4597; see also Appendix C to Suspension Order (listing the RAFs for each company, as well as calculations supporting these RAFs).

¹⁷ Amendment of the Part 69 Allocation of General Support Facility Costs, 8 FCC Rcd 3697 (1993) (GSF Order). In addition, the Bureau identified four cases in which LECs miscomputed their direct costs, resulting in a double recovery of certain costs. Accordingly, the Bureau ordered specific direct cost disallowances for BellSouth, GTE, United/Centel and Bell Atlantic. Suspension Order, 8 FCC Rcd at 4598, 4599. The Bureau also dealt with concerns raised by the parties regarding a number of terms and conditions. *Id.* at 4600-06.

¹⁸ See Designation Order, 8 FCC Rcd at 6911-15. For TRP purposes, the Bureau, *inter alia*, required each LEC to categorize its rate elements into specific functions and provide itemized cost information documenting all investments, expenses and taxes listed in each TRP chart.

In addition, LECs were required to provide overhead factors for all DS1 and DS3 services they offer, including generic DS1 and DS3 services, discounted volume and term services and specialized services. LECs were also asked to explain the basis for any difference in overheads among the various DS1 and DS3 services, and between DS1 and DS3 services on the one hand and expanded interconnection services on the other. The Order required LECs to explain to what extent their expanded interconnection overhead costs were adjusted to prevent double-recovery of overheads by expanded interconnection rate elements. Further, since the Bureau believed that some LECs, such as SWB, appeared to use "closure factors"¹⁹ to compute overhead amounts included in expanded interconnection rates, these LECs were required to explain how the use of closure factors results in reasonable estimates of overhead costs for expanded interconnection.²⁰

8. The Bureau also directed the LECs to provide "price outs" to gauge the overall service cost of a sample interconnection, and asked the LECs to supply further information concerning the costs included in individual rate elements.²¹ Finally, the Bureau sought comment on specific issues relating to rate structure and terms and conditions.²² Pursuant to the Designation Order, all Tier 1 LECs subject to this Order filed direct cases, accompanied by TRP data. Seven oppositions were filed; Rochester did not file a rebuttal.²³

III. SUMMARY OF PLEADINGS – OVERHEAD LOADING FACTORS

A. The Direct Cases

1. Development of Overhead Factors for Expanded Interconnection

9. Although the Bureau's Designation Order specifically directed the LECs to explain the development of their overhead loading factors for expanded interconnection, Rochester does not address the issue and US West refers to the justification it provided

¹⁹ Closure factors are ratios of revenue to prospective direct costs, i.e., current costs of depreciation, return, taxes and maintenance, for a particular category of service, such as special access, and are applied to the direct costs of a new service (e.g., expanded interconnection) to determine rates.

²⁰ Designation Order, 8 FCC Rcd at 6913.

²¹ Id. at 6913-15.

²² Id. at 6915-27.

²³ Those parties that filed oppositions are listed in Appendix B. US West filed its rebuttal one day late, concurrently with a motion to accept a late-filed pleading. US West asserts that computer problems prevented it from filing on time. No party opposed US West's motion. We find that US West has shown good cause for its late-filed pleading. Accordingly, we grant US West's motion and accept its rebuttal.

in its original filing.²⁴ Those LECs that explain the development of their overhead loading factors use very different terminology. SWB, which refers to its overhead factor as a "closure factor," developed its overhead loading factors for expanded interconnection based solely on overhead loadings for DS1 and DS3 services.²⁵ According to SWB, its closure factor is the result of rate minus incremental cost, or revenues minus the sum of direct cost or "incremental unit cost," as opposed to embedded cost as reflected in ARMIS data. SWB asserts that since costs represent the "total direct cost" of providing the unit of service (excluding common and joint costs), the difference between the revenues and costs is overhead.²⁶ SWB alleges that it divided total revenues by total direct costs to arrive at an overhead loading factor that reflects the amount of overhead contained in the revenues derived from the services.²⁷

10. The other LECs allege that they compute their overhead loading factors for expanded interconnection based on the special access category as a whole. Further, some of these LECs assert that they relied on ARMIS or other historical data in developing their overhead loading factors. Ameritech states that it divided the revenue requirement by the direct costs for all services within a service category to arrive at an "overhead/closure factor" of 1.58 that represents the joint and common costs or overheads for the special access service category.²⁸ Ameritech also contends that its Carrier Access Billing System (CABS) costs were not properly reflected in the Bureau's development of one of Ameritech's Rate Adjustment Factors in the Suspension Order. According to Ameritech, the Bureau overstated the rate adjustment and did not allow for recovery of CABS costs.²⁹

11. CBT asserts that it applied a distributive ratio of 1.35 (the same as the ratio developed for its 1993 Annual Access Filing) to each unit cost to arrive at recurring rate elements for expanded interconnection.³⁰ BellSouth states that its overheads are the "fully assigned maintenance and administrative expenses" associated with expanded interconnection offerings.³¹

²⁴ US West Direct Case at 35-37.

²⁵ SWB Direct Case, Appendix 4 at 1.

²⁶ SWB Direct Case at 5-6.

²⁷ *Id.*, Appendix 4 at 2.

²⁸ Ameritech Direct Case at 11-12. Ameritech determines the revenue requirement for special access by restating its 1991 costs from ARMIS data at an 11.25 percent rate of return.

²⁹ *Id.* at 11; see also Ameritech Rebuttal at 8.

³⁰ CBT Direct Case at 6.

³¹ BellSouth Direct Case, Exhibit 2 at 29, 32.

12. United/Centel explains that its overhead amounts are based on a Part 69 process whereby overhead expense amounts are divided by embedded direct investment amounts.³² Bell Atlantic asserts that it arrived at its ARMIS-based overhead factor of 1.6845 by dividing revenue requirement by investment,³³ and then applied that factor uniformly to the direct unit costs for each recurring interconnection rate element.³⁴ NYNEX developed carrying charge factors (CCF) on an annual basis from the ARMIS reports to develop both its direct costs and its overhead costs. NYNEX discloses that overhead represents 33% of the Fully Distributed CCF.³⁵ GTE asserts that all of its overhead factors were taken directly from its 1992 Annual Charge Factor Studies.³⁶ Nevada Bell explains that its uniform factor of 1.2707 was calculated by determining the ratio of total corporate overhead to total expenses less overhead.³⁷ In response to the Bureau's request, a number of LECs describe how they rounded costs included in their expanded interconnection rates.³⁸

2. Data Regarding Comparable Special Access Services

13. Despite the Bureau's request in its Designation Order, a number of LECs do not provide overhead loading factors for DS1 and/or DS3 services. Neither Rochester nor CBT discuss their overhead loading factors for comparable services. United/Centel explains that its overheads for generic DS1 and DS3 services have been provided as part of its Annual Access Tariff Filings, but does not report the overhead ratios.³⁹

14. Those LECs that supply data regarding comparable services do so in varying levels of detail. SWB reports an overhead loading factor for its DS1 term options and DS3 term and volume options.⁴⁰ Ameritech provides "ratios of rate to cost" for each DS1 and DS3 service, but argues that these ratios do not reflect overhead loadings, but only the difference between rate and costs established through price cap regulation.⁴¹ BellSouth

³² United/Centel Direct Case at 4.

³³ Bell Atlantic Direct Case, Attachment B, Exhibit 9.

³⁴ Id., Attachment B at 16-17.

³⁵ NYNEX Direct Case, Appendix A at 14-16.

³⁶ GTE Direct Case at 8.

³⁷ Nevada Bell Direct Case at 3-4.

³⁸ See BellSouth Direct Case, Exhibit 2 at 37; Bell Atlantic Direct Case, Attachment B at 16-17; NYNEX Direct Case, Appendix A at 14; GTE Direct Case at 8.

³⁹ United/Centel Direct Case at 4-5.

⁴⁰ SWB Direct Case at 8; see Appendix 4.

⁴¹ See Ameritech Direct Case at 10.

provides "price-ceiling" ratios for its existing DS1 and DS3 services.⁴² Nevada Bell indicates that it used an overhead factor of 1.1709 to calculate its initial DS3 rate, but does not provide information on its current DS1 rates.⁴³ NYNEX supplies overhead factors only for the channel termination elements of its DS1 and DS3 services.⁴⁴ GTE provides a ratio of the current tariffed rate as compared to the unit direct cost for its existing DS1 and DS3 services, but states that it was unable to provide overheads for all rate elements due to time constraints.⁴⁵ Although US West objects to the Bureau's request, it provides data on generic DS1 and DS3 services (which include term discounts).⁴⁶ Bell Atlantic supplies information on overhead loadings for its DS1 and DS3 services.⁴⁷

15. A number of LECs insist that the Bureau should not have asked them to compare overhead loadings for DS1 and DS3 services with overhead loadings for expanded interconnection services because the former were established under rate of return regulation and modified pursuant to the price cap rules.⁴⁸ GTE considers it inappropriate to compare overheads for "competitive" DS1 and DS3 services with overheads for "noncompetitive" services like expanded interconnection.⁴⁹ US West dislikes comparing existing mature services with expanded interconnection services on the basis of an overhead factor because of the differences in overhead loadings reflected in ARMIS data at the time services are filed.⁵⁰ Those LECs that provide overhead comparisons argue summarily that their overhead loadings for expanded interconnection

⁴² BellSouth Direct Case, Exhibit 2, Appendix E. In its rebuttal, BellSouth explains that it included information only on term plans for DS3 services because it was about to revise its DS1 term rates. As an attachment to its rebuttal, BellSouth submits overhead ratios for both DS1 and DS3 services. BellSouth Rebuttal at 5-6, n.8.

⁴³ Nevada Bell Direct Case at 4-5.

⁴⁴ NYNEX Direct Case, Appendix A at 16 & Attachment J.

⁴⁵ GTE Direct Case at 8.

⁴⁶ US West Direct Case at 38-39.

⁴⁷ Bell Atlantic Direct Case, Attachment B at 16-17; see Exhibit 10.

⁴⁸ See e.g., Ameritech Direct Case at 10; GTE Direct Case at 8.

⁴⁹ GTE Direct Case at 9.

⁵⁰ US West Direct Case at 38.

are reasonable because, for the most part, they are identical to,⁵¹ similar to,⁵² or lower than⁵³ overhead ratios for DS1 and DS3 services.

3. Adjustments to Prevent Double-Recovery of Overheads

16. Several LECs oppose the Bureau's adjustments to ARMIS FDC overhead levels to prevent double-recovery of overheads by expanded interconnection rate elements.⁵⁴ Bell Atlantic, for example, asserts that the Bureau erroneously determined that Bell Atlantic's rates "double-recovered" separate overhead cost rate elements that would ordinarily be included to recover fully distributed cost overheads on all rates.⁵⁵ SWB adds that any portion of the direct costs associated with its collocation elements that are disallowed must also be removed from DS1 and DS3 underlying costs so that the overhead loading factor can be recomputed.⁵⁶ US West claims that its long run incremental cost methodology ensures that there is no double recovery of overheads.⁵⁷

B. Oppositions to Direct Cases

1. Adequacy of LECs' Submissions

17. Generally, those parties that oppose the direct cases argue that the LECs have failed to provide essential data in compliance with the Bureau's Designation Order. ALTS asserts that as a result of the LECs' failure to provide necessary information first in their original tariff filings and again in their direct cases, key elements of the expanded interconnection tariffs remain unjustified.⁵⁸ Further, ALTS maintains that since the LECs' expanded interconnection tariffs are not really "carrier initiated," they must be evaluated

⁵¹ See CBT Direct Case at 6.

⁵² See e.g., GTE Direct Case at 9; NYNEX Direct Case, Appendix A at 15; US West Direct Case at 39. US West states that its overhead loading factor for expanded interconnection is similar to factors for generic month to month DS1 and DS3 services. US West contends that because it fashioned expanded interconnection service as a month to month service with no extended term obligations, the only relevant loading factors among the generic DS1 and DS3 services are those pertaining to month to month service.

⁵³ See e.g., Bell Atlantic Direct Case, Attachment B at 16-17 & Exhibit 10; BellSouth Direct Case, Exhibit 2 at 34.

⁵⁴ See Suspension Order, 8 FCC Rcd at 4597; Bell Atlantic Direct Case, Introduction at 2; BellSouth Direct Case, Exhibit 2 at 34-36; GTE Direct Case at 9-10; NYNEX Direct Case, Appendix A at 15; Nevada Bell Direct Case at 5-6.

⁵⁵ Bell Atlantic Direct Case, Introduction at 2.

⁵⁶ SWB Direct Case at 7; see Appendix 4 at 2.

⁵⁷ US West Direct Case at 37.

⁵⁸ ALTS Opposition at i.

under a standard of review different from that used for other proceedings where a carrier files a tariff for a service it wants to offer.⁵⁹

18. Sprint argues that since the LECs have failed to carry their burden of proof in justifying their high charges, the Commission has the right to prescribe rates on the information before it. Further, Sprint contends, if the Commission does not have an adequate record before it, it should identify carriers whose costs are above average and give them the opportunity to justify their proposed cost levels so that the Commission may prescribe lawful rates.⁶⁰ MCI asserts that the LECs' lack of uniformity on rates has "muddled" the process of determining reasonable rates for collocation.⁶¹

19. TCG contends that rather than providing meaningful additional cost information as required by the Designation Order, the LECs have simply "repackaged" the existing cost information already deemed inadequate by the Bureau.⁶² TDL asserts that since the LECs have effectively delayed the implementation of interconnection and collocation through filing unreasonable tariffs, the Commission should require that they bear the costs of their conduct as a matter of fairness and as a deterrent to future improper filings.⁶³

2. Oppositions to LEC Data

20. ALTS and Ohio PUC object to the LECs' use of closure factors in determining overheads for expanded interconnection services.⁶⁴ ALTS also complains that the information provided by LECs such as Ameritech, US West and GTE fails to satisfy the Bureau's request for overhead factors for DS1 and DS3 services. According to ALTS, Ameritech failed to explain how its costs for DS1 and DS3 services were determined. ALTS argues that US West's information regarding its generic DS1 and DS3 services is insufficient, and that GTE did not provide an adequate explanation of its overhead factors for DS1 and DS3 services.⁶⁵

21. Further, ALTS claims that the LECs' direct cases fail to establish that the LECs have used overhead loadings for collocation services that do not exceed those used

⁵⁹ Id. at 3.

⁶⁰ Sprint Opposition at 4-5.

⁶¹ MCI Opposition at 2.

⁶² TCG Opposition at 1.

⁶³ TDL Opposition at 2-3.

⁶⁴ ALTS Opposition at 17; Ohio PUC Opposition at 10.

⁶⁵ ALTS Opposition at 9-10.

in their DS1 and DS3 services facing competition.⁶⁶ ALTS and TDL⁶⁷ disagree with US West and Ameritech that it is inappropriate to compare overhead loadings for expanded interconnection services with those for DS1 and DS3 services.⁶⁸ ALTS insists that the appropriate LEC rates to consider for purposes of comparability are DS1 and DS3 term and volume discount rates because these are the rates with which competitive access providers will have to compete when they collocate. Further, ALTS argues, LECs such as Bell Atlantic and BellSouth have manipulated the overhead data to obscure the fact that they have not applied the same loading arrangements for their DS1 and DS3 services and collocation services.⁶⁹ TDL complains that US West is earning a significant profit on expanded interconnection services.⁷⁰

22. ALTS argues that Bell Atlantic, US West, SWB and NYNEX have failed to establish that their overhead factors for expanded interconnection are fully consistent with those used to develop DS1 and DS3 rates. According to ALTS, these LECs want the Commission to deem it reasonable for them to recover higher overheads in the costs of expanded interconnection service.⁷¹

C. LEC Rebuttals

23. Ameritech defends the reasonableness of its closure factor and contends that its expanded interconnection services are priced based on a reasonable share of the overheads, even though Ameritech cannot demonstrate that current DS1 and DS3 services bear exactly the same overheads.⁷² In reply to ALTS, US West maintains that it provided aggregated overhead loadings for DS1 and DS3 month-to-month and term rates.⁷³

24. BellSouth responds that ALTS misunderstands its method of establishing overheads, and asserts that it has provided sufficient information to establish that overhead loadings reflected in its competitive DS1 and DS3 services exceed the loading factors used to compute its expanded interconnection charges.⁷⁴ GTE also maintains that it provided an adequate explanation of its DS1 and DS3 overhead factors, which vary

⁶⁶ Id. at 17.

⁶⁷ TDL Opposition at 16. TDL confines its comments to US West's direct case.

⁶⁸ ALTS Opposition at 9-10.

⁶⁹ Id. at 19-21.

⁷⁰ TDL Opposition at 8.

⁷¹ ALTS Opposition at 18-20.

⁷² Ameritech Rebuttal at 2.

⁷³ US West Rebuttal at 23-24 (citing US West Direct Case at 39).

⁷⁴ BellSouth Rebuttal at 6.

from service to service and state to state. GTE observes that some overheads for DS1 and DS3 services are higher than those for expanded interconnection and some are lower, but contends that a comparison shows that its expanded interconnection overheads are reasonable.⁷⁵ In response to ALTS, SWB claims that it provided documentation to explain how it was reasonable for SWB to apply a DS1-specific overhead factor to DS1-specific interconnection elements, a DS3-specific factor to DS3-specific interconnection elements and a combined DS1/DS3 overhead factor to interconnection elements that could not be defined as DS1-specific or DS3-specific.⁷⁶

IV. DISCUSSION

A. Introduction

25. In the Expanded Interconnection Order, we took a historic step toward removing barriers to competition in the interstate access market by requiring LECs to offer expanded interconnection to all interested parties.⁷⁷ We believe that expanded interconnection will foster competition benefiting consumers through increased efficiency and the more rapid deployment of new technologies. To the extent that the LECs' rate levels appeared to frustrate these goals, the Bureau, in its Suspension Order, took action to encourage economically efficient competition.⁷⁸

26. We are now faced with the task of ensuring that expanded interconnection is available at just and reasonable rates. We had hoped that the information on overheads contained in the LECs' direct cases would enable us to assess the reasonableness of the LECs' expanded interconnection rates and to determine whether the proposed overhead loading factors, which are a substantial component of the rates, are just and reasonable. The record, however, is still substantially deficient. The LECs have not, to date, presented us with persuasive overhead cost showings that include sufficient detail and explanation to justify their proposed overhead loading factors.⁷⁹ The LECs have now been given two opportunities to justify the overhead loadings reflected in their expanded interconnection rates, and have failed to do so. Accordingly, based on the current record, we must find the LECs' rates for expanded interconnection unjust and unreasonable, and therefore unlawful.

27. We cannot, however, allow the LECs' failure to provide adequate data and explanation to thwart our effort to ensure that expanded interconnection is available at just and reasonable rates. Thus, in order to advance the Commission's goals, we impose an

⁷⁵ GTE Rebuttal at 4.

⁷⁶ SWB Rebuttal at 16 (citing ALTS Opposition at 17-18; 20).

⁷⁷ Expanded Interconnection Order, 7 FCC Rcd at 7372.

⁷⁸ Suspension Order, 8 FCC Rcd at 4597.

⁷⁹ We note that during the pendency of our further investigation, we expect that the Bureau staff will obtain data from the LECs that are responsive to the Designation Order.

interim prescription setting forth the maximum permissible overhead loading factor for expanded interconnection services pending further investigation. This interim prescription will remain in place only until the final resolution of this further investigation, when we intend to make a final determination as to what level of overhead is just and reasonable for expanded interconnection services. This interim prescription is subject to a two-way adjustment mechanism, as described below.

B. The Direct Cases

1. Overall Evaluation

28. In the Designation Order, the Bureau provided the LECs with another opportunity to justify their overhead factors for expanded interconnection by explaining how these factors were derived, and by providing information on comparable services, accompanied by supporting cost data. The LECs, however, have failed to provide sufficient information in their direct cases to justify their proposed overhead loading factors. As explained below, the LECs either failed to respond to the Bureau's requests for data or provided incomplete data.

29. The Designation Order specifically directed the LECs to explain how they developed their overhead loading factors for each rate element of expanded interconnection service. Neither Rochester nor US West, however, describe their methodology in their direct cases. SWB attempts to justify its overhead factor for expanded interconnection based solely on its overhead factors for DS1 and DS3 services.⁸⁰ The other LECs claim to have computed their overhead factors for expanded interconnection based on FDC studies of the special access category as a whole.⁸¹ In addition, a number of the LECs basing their factors on FDC studies of the special access category as a whole maintain that they relied on ARMIS data.⁸²

30. With the exception of SWB, the LECs essentially claim to use the same method the Bureau adopted in its Suspension Order to calculate ARMIS-based overhead factors, i.e., they use data for the special access category as a whole. However, in most cases their overhead factors for expanded interconnection exceed, without explanation, those calculated by the Bureau in the Suspension Order.⁸³ Although we do not require

⁸⁰ See SWB Direct Case, Appendix 4 at 1.

⁸¹ See e.g., Ameritech Direct Case at 11-12 & Appendix D; United/Centel Direct Case at 4.

⁸² See e.g., Bell Atlantic Direct Case, Attachment B at 16-17 & Exhibit 9; NYNEX Direct Case, Appendix A at 14.

⁸³ We note, however, that the overhead loading factors for expanded interconnection services calculated by Pacific Bell, Lincoln, SNET and a number of the GTE Telephone Operating Companies and United/Centel Companies in their original tariff filings did not exceed ARMIS FDC overhead levels less double-counting. Accordingly, the Bureau made no overhead

the LECs to use an ARMIS-based calculation to justify their overhead loadings, we are concerned that the LECs have neither demonstrated why their overhead factors differ from factors the Bureau calculated using publicly available ARMIS data adjusted for double-counting,⁸⁴ nor convinced us that the Bureau erroneously calculated the ARMIS overhead factors.⁸⁵ Therefore, we find that the LECs have not justified, at this point in the investigation, their calculations of FDC overhead factors for expanded interconnection service to the extent that they exceed, without explanation, the upper limits for overhead loading factors calculated by the Bureau.

31. In addition, the Designation Order instructed the LECs to provide overhead loading factors for all DS1 and DS3 services they offer, and to explain the basis for any differences in overheads between those DS1 and DS3 services and their expanded interconnection services.⁸⁶ Despite this directive, CBT, Rochester and United/Centel do not report specific DS1 and DS3 overhead loading factors in their direct cases. As noted above, the LECs that provide DS1 and DS3 data argue that their overhead loading factors for expanded interconnection are reasonable because these factors are identical to,⁸⁷

disallowances for these companies in the Suspension Order. Likewise, these LECs' rates are not subject to the interim prescription imposed in this Order.

⁸⁴ As discussed *supra*, the Bureau determined it was necessary to adjust FDC overheads to eliminate double-counting of costs that were already being recovered through specific charges. See Suspension Order, 8 FCC Rcd at 4597.

⁸⁵ However, as discussed in IV.B.3., *infra*, we do make an interim adjustment to one of Ameritech's RAFs. Our analysis of Ameritech's direct case reveals that the Bureau's computation of the overhead factor reflected in Ameritech's Central Office Build-Out Charge may not have accounted properly for Ameritech's Carrier Access Billing System costs. Thus, Ameritech's RAF during the interim period is lower than it was during the five-month suspension period.

⁸⁶ Designation Order, 8 FCC Rcd at 6913.

⁸⁷ See CBT Direct Case at 6.

similar to,⁸⁸ or lower than⁸⁹ their overhead loading factors for DS1 and DS3 services in most instances.⁹⁰

32. We are not persuaded by the LECs' arguments, and we question the basis on which they computed their overhead loading factors for DS1 and DS3 services. First, the LECs ask us to find their expanded interconnection overheads reasonable because, for the most part, they are equal to, similar to, or lower than overheads for DS1 and DS3 services. However, contrary to the requirements of the Designation Order, the LECs fail to explain the relationship between their expanded interconnection overheads and their DS1 and DS3 overheads.⁹¹ Moreover, the LECs fail to provide data to support the comparison. Second, the Designation Order specifically instructed the LECs to provide information used to compute any overhead ratios.⁹² Nevertheless, those LECs relying on a comparison with DS1 and DS3 overhead loading factors to justify their overhead loading factors for expanded interconnection do not adequately explain how they determined the direct costs or overhead amounts used in calculating their DS1 and DS3 overhead loading factors.⁹³

33. The Designation Order also required those LECs using closure factors, or ratios of revenue to prospective direct costs, to explain how the use of these factors results in reasonable estimates of overhead costs for expanded interconnection.⁹⁴ The

⁸⁸ See e.g., GTE Direct Case at 8-9; NYNEX Direct Case, Appendix A at 15; US West Direct Case at 39.

⁸⁹ See e.g., Bell Atlantic Direct Case, Attachment B at 16-17 & Exhibit 10; BellSouth Direct Case, Exhibit 2 at 34.

⁹⁰ With respect to the LECs' arguments that the Bureau should not have sought information needed to compare overhead loadings for expanded interconnection services with those for comparable special access services, the Expanded Interconnection Order had specifically cautioned LECs that if they chose to reflect FDC overhead loadings in their rates, the Commission would compare such loadings to the overhead loadings used for other services and require justification for any differences. Expanded Interconnection Order, 7 FCC Rcd at 7429. Accordingly, the Bureau acted in accordance with our Order.

⁹¹ For example, some LECs show expanded interconnection overhead factors based on the special access category as a whole that are lower than those for DS1 and DS3 services, but do not explain why their overhead factors for special access overall are lower than those for DS1 and DS3 services. The special access category as a whole includes not only DS1 and DS3, but also voice grade and other special access services that are less competitive and logically likely to have higher, not lower, overhead loadings than DS1 and DS3 services. No explanation of why overhead factors for DS1 and DS3 services exceed an overhead factor for the entire special access category appears in the direct cases.

⁹² Designation Order, 8 FCC Rcd at 6913.

⁹³ See e.g., US West Direct Case at 39.

⁹⁴ Designation Order, 8 FCC Rcd at 6913.

LECs that attempt to justify their expanded interconnection overhead factors based on comparisons with closure factors for DS1 and DS3 services, such as SWB, fail to provide sufficient data to explain how they estimated prospective direct costs for these services. Nor do these LECs provide data that would permit the Commission to determine whether a method involving closure factors, as opposed to the Bureau's ARMIS-based method, which calculates overhead factors based on historical costs, produces reasonable rates for expanded interconnection service.

34. In view of the numerous deficiencies in the LECs' direct cases, we find that the LECs have thus far justified neither their overhead loading factors nor their comparisons based on closure factors using prospective costs. Based on the current record, the LECs have failed to meet their burden of proof under Section 204(a) of justifying their proposed overhead loadings for expanded interconnection services. Although our Orders permit LECs to use any reasonable level of overheads, the current levels have not been justified as reasonable. Accordingly, based on the current record, we must find the LECs' originally filed rates for expanded interconnection to be unlawful.

2. Interim Prescription

35. Although we find the LECs' rates to be insufficiently justified -- and thus unlawful -- on the current record, we also lack sufficient information to make a permanent rate prescription. However, we believe that the public interest requires that we take immediate steps to ensure that rate levels based on a verifiable and reasonable overhead loading factor are in place pending further investigation of the LECs' special access expanded interconnection tariffs. Otherwise, the Commission's expanded interconnection policies, designed to open the interstate special access market to greater competition, would be thwarted by the LECs' failure to provide the Commission with adequate information justifying their proposed overhead loading factors. Simply ordering the removal of expanded interconnection service for lack of lawful rates would deny customers the benefit of expanded interconnection. Similarly, the alternative course of simply allowing rates to return to their originally filed levels pending further investigation would strongly discourage customers from taking expanded interconnection service given that some of the LECs' overhead recovery reflected in their originally filed rates appears excessive. The benefits that we anticipated in mandating expanded interconnection -- expanded service choices, heightened incentives for efficiency, more rapid technological innovation, and increased pressure to charge cost-based prices -- would be delayed. In addition, allowing excessive rates to take effect pending further investigation could impede competitors' ability to raise capital for interconnection ventures. For this reason, we believe that ensuring rate stability pending conclusion of this proceeding is important to achieving the Commission's public interest goals in the expanded interconnection proceeding.

36. Therefore, in light of the current record, we believe that the ARMIS-based FDC overhead levels used by the Bureau in the Suspension Order continue to represent the best currently available, verifiable and reasonable surrogate for the upper limits of overhead loading factors for expanded interconnection for the interim period until the

tariff investigation is concluded.⁹⁵ We emphasize, however, that we are not finding that ARMIS FDC overhead levels are the only verifiable and reasonable upper limits for overhead loading levels for expanded interconnection service, or even the ideal upper limits for overhead loading levels for this service. We will continue to examine this issue during the pendency of our further investigation.

37. Accordingly, pursuant to our authority under Section 4(i) of the Communications Act, 47 U.S.C. § 154(i),⁹⁶ and ancillary to our authority under Sections 201 and 205 of the Communications Act, 47 U.S.C. §§ 201 and 205, to require interconnection at just and reasonable rates, and to prescribe lawful rates, we prescribe on an interim basis the maximum permissible overhead loading factor for the LECs' expanded interconnection rates. The maximum permissible expanded interconnection rates for the interim period pending conclusion of the tariff investigation shall be computed as follows. Appendix C to this Order sets forth Rate Adjustment Factors (RAFs) for each LEC, and for each rate element subject to the interim prescription of a maximum permissible overhead loading factor. These RAFs, when multiplied by the originally filed rate level for each rate element, will result in rates that reflect ARMIS FDC levels, less double-counting of overhead costs, and adjusted to reflect the reallocation of GSF costs. LECs are required to multiply their rates filed on February 16, 1993 by the RAFs in Appendix C to determine the maximum permissible rate levels during the interim period.

38. Our interim prescription does not address issues other than the LECs' justification of their proposed overhead loading factors. On an interim basis, we find it necessary to focus on overhead loading factors because the level of expanded interconnection rates is influenced significantly by overhead loadings. Further, an interim prescription regarding overhead levels will ensure rate stability and thus further the goals of the expanded interconnection proceeding. We emphasize that our prescription is for an interim period only and in no way limits or prejudices any action we may take in our final order concluding this investigation. We note that certain LECs' rates were subject

⁹⁵ We note that the Bureau removed from its ARMIS-based overhead factors the portion of overheads that is recovered in specific charges for expanded interconnection (i.e., double-counted overheads). We believe that such practice is reasonable and therefore retain this adjustment to the upper limits for the overhead factors to eliminate double-counting of costs during this interim period. We will continue to examine the treatment of double-counting during the pendency of our investigation. In addition, we note that the Bureau's Suspension Order required the LECs to adjust their overhead loadings to reflect the decreased allocation to special access of GSF costs arising from our GSF Order. None of the LECs objected to this directive, and our review of the direct cases indicates that, except for some rounding differences, all LECs made appropriate adjustments. Accordingly, the Bureau's adjustments to reflect the GSF reallocation will remain in place during the interim period. We note that the interim prescription described below takes into account adjustments both to eliminate double-counting of overheads and to reflect the GSF decrease.

⁹⁶ Section 154(i) gives the Commission authority to "issue such orders, not inconsistent with this chapter, as may be necessary in the execution of its functions."

to direct cost disallowances pursuant to the Suspension Order,⁹⁷ and thus, these LECs' current rates may be lower than the maximum permissible rate levels for the interim period. These carriers may file rates reflecting our RAFs at the end of the suspension period.⁹⁸

39. Further, our interim prescription is subject to adjustment in either direction at the conclusion of our further investigation. We hereby establish a two-way adjustment mechanism that will protect both carriers and customers until we finally prescribe or determine just and reasonable rates for expanded interconnection service. Accordingly, we will provide an opportunity for carrier recoupment if, at the conclusion of our investigation, we determine that the interim rates are below a just and reasonable level. As a result, the legitimate interests of the LECs will not be harmed by our interim prescription. Conversely, our arrangement will provide an opportunity for interconnectors to receive refunds if we later conclude that interim rates are above the just and reasonable level.⁹⁹ In this way, neither the customers nor the LECs will be harmed in the final analysis by the interim charges.

40. We find support for our action in the Lincoln Telephone decision,¹⁰⁰ which also presented us with the challenge of ensuring prompt compliance with Commission policy concerning interconnection in the absence of rates that have been found to be just and reasonable. In Lincoln Telephone, the Commission instituted a policy imposing on Lincoln Telephone & Telegraph Company (Lincoln), as on other telephone companies with monopoly local exchange facilities, an immediate legal obligation to furnish interconnection facilities to MCI Telecommunications Corporation (MCI). Until we could determine just and reasonable rates for interconnection, we required Lincoln to bill and collect the charges set forth in the tariff filed by the Bell System Operating Companies

⁹⁷ See Suspension Order, 8 FCC Rcd at 4599. These LECs are BellSouth, GTE, United/Centel and Bell Atlantic.

⁹⁸ Further, those carriers that voluntarily reduced their rates during the suspension period shall calculate new rates pursuant to the RAFs set forth in Appendix C to this Order. To the extent that their voluntarily reduced rates already reflect the changes ordered herein, these carriers need not refile. On July 14, 1993, SWB filed Transmittal No. 2285 to create a new "DC Transmission Power, 40 AMPS" rate element. SWB shall apply the RAF in Appendix C for this rate element to the rate filed in Transmittal No. 2285.

⁹⁹ We note that pursuant to the accounting order instituted by the Bureau in its Suspension Order, interconnectors may also receive refunds if we later determine that expanded interconnection rates were above the just and reasonable level during the five-month suspension period.

¹⁰⁰ Lincoln Telephone and Telegraph's Duty to Furnish Interconnection Facilities to MCI Telecommunications Corporation, Declaratory Order, 72 FCC 2d 724 (1979), aff'd, 652 F.2d 136 (D.C. Cir. 1981) (Lincoln Telephone).

pursuant to the ENFIA agreement.¹⁰¹ Since we were unsure of the exact costs of furnishing interconnection facilities, we established an "interim billing and collection arrangement" pursuant to our authority under Section 4(i) that would be subject to adjustment in either direction, based on our final decision.¹⁰² We reasoned that such action would serve the public interest in immediate interconnection and give adequate protection to both parties, neither of which was bound finally to the interim charges.¹⁰³

41. In 1981, the United States Court of Appeals for the District of Columbia Circuit upheld our authority under Section 4(i) to establish such an interim arrangement, deeming our action a "helpful and necessary step" in implementing our immediate interconnection order.¹⁰⁴ The Court noted that the Commission's "close supervision" of the interconnection process via an interim arrangement was necessary because neither Lincoln nor MCI was a "willing partner" in the provision of interstate services, given the parties' competing interests.¹⁰⁵

42. In light of the policy goals of the expanded interconnection proceeding, we believe that the mechanism established in Lincoln Telephone and affirmed by the D.C.

¹⁰¹ The Exchange Network Facilities for Interstate Access (ENFIA) tariff implemented an agreement signed by AT&T, GTE, MCI and other common carriers (OCC) to set an interim formula for computing OCC access charges pending the establishment of a more permanent, cost-based access charge system.

¹⁰² We explained that if the interim collections were below a just and reasonable level, we could require MCI to make up the difference; if interim collections were above the just and reasonable level, we could require Lincoln to refund the difference to MCI. Lincoln Telephone, 72 FCC 2d at 729.

¹⁰³ Id. We note that in Lincoln Telephone, no just and reasonable rates existed at the time of our decision because Lincoln and MCI had failed to agree on rates for interconnection services. We stated that the interim billing and collection arrangement under ENFIA charges would be subject to adjustment either on the basis of an ultimate agreement between the parties that the Commission approved or when the Commission prescribed or determined just and reasonable charges. Id. While we recognize that in Lincoln Telephone, our remedy was not determined in the context of a Section 204(a) proceeding, we do not find this distinction significant. In Lincoln Telephone, as in the instant proceeding, our overriding concern was ensuring the opportunity for immediate interconnection until we could determine just and reasonable rates for the service. An essential aspect of both proceedings is that interim rates established by the Commission to fulfill an important policy objective are accompanied by a two-way adjustment mechanism. Moreover, in the Dark Fiber proceeding, we noted that Section 4(i) could provide the Commission with authority to adopt an interim prescription with a two-way adjustment mechanism in the context of a Section 204(a) proceeding. See In the Matter of Local Exchange Carriers' Individual Case Basis DS3 Service Offerings, 6 FCC Rcd 4776, 4777 (1991) appeal pending sub nom., Southwestern Bell Telephone Co. et al. v. FCC, No. 91-1416 (D.C. Cir., filed Aug. 27, 1991) (Dark Fiber).

¹⁰⁴ Lincoln Telephone, 659 F.2d at 1107.

¹⁰⁵ Id. at 1109.

Circuit is well-suited to protect both carriers and customers as we take steps to open one of the remaining preserves of monopoly telecommunications service -- the interstate special access market -- to competition. As in Lincoln Telephone, the LECs in the instant proceeding may not be willing participants in the provision of expanded interconnection services. Accordingly, as the D.C. Circuit stated when it upheld our decision in Lincoln Telephone, close regulatory supervision of the interconnection process is warranted so that the Commission can ensure implementation of a policy that clearly serves the public interest.¹⁰⁶

3. Adjustment to Ameritech's RAF for Central Office Build-Out Charge

43. Upon review of the current record, we find it necessary to make an interim adjustment to one of the Rate Adjustment Factors (RAFs) in the Bureau's Suspension Order. In its direct case, Ameritech asserts that its Carrier Access Billing System (CABS) costs were not properly reflected in the development of the RAFs. Accordingly, Ameritech contends that the Bureau overstated the rate adjustment and did not allow for recovery of CABS costs.¹⁰⁷ Our analysis indicates that the overhead factor for Ameritech's Central Office Build-Out charge appears to have been miscomputed. The RAF for Ameritech's Central Office Build-Out Charge set forth in Appendix C of this Order reflects our interim correction.

V. CONCLUSION

44. We have reviewed the LECs' direct cases, the oppositions and the rebuttals. In light of the current record, we find that the LECs have not justified their proposed overhead loading factors, and that the LECs' originally filed rates are therefore unlawful. As set forth above, we find that our interim prescription of a maximum permissible overhead loading factor, subject to any necessary adjustment and to possible refunds or supplemental payments, is the most reasonable and practical method of promoting the public interest in ensuring that special access expanded interconnection service is available at fair rates pending the final conclusion of our investigation of the LECs' tariffs. In addition, we make an interim adjustment to Ameritech's Rate Adjustment Factor for its Central Office Build-out Charge based on Ameritech's Carrier Access Billing System costs. We emphasize that the interim prescription in this Order in no way limits or prejudices any action we may take in our final order concluding this investigation.

VI. ORDERING CLAUSES

45. Accordingly, **IT IS ORDERED**, pursuant to Sections 204(a) and 201(b) of the Communications Act, 47 U.S.C. §§ 204(a) and 201(b), that the rates for expanded

¹⁰⁶ See id.

¹⁰⁷ Ameritech Direct Case at 11.

interconnection service filed on February 16, 1993 by the local exchange carriers subject to this Order¹⁰⁸ are unjust and unreasonable, and therefore unlawful.

46. **IT IS FURTHER ORDERED**, pursuant to Sections 4(i), 201 and 205 of the Communications Act, 47 U.S.C. §§ 154(i), 201 and 205, that the maximum permissible special access expanded interconnection rate levels during the interim period from November 15, 1993 to the conclusion of our investigation in CC Docket No. 93-162 for the local exchange carriers shall be determined by applying the Rate Adjustment Factors set forth in Appendix C to this Order to the rates for expanded interconnection service originally filed on February 16, 1993. With respect to Southwestern Bell Telephone Company's "DC Transmission Power, 40 AMPs" rate element, the RAF shall be applied to the rate filed on July 14, 1993, as set forth in paragraph 38 n.98, supra.

47. **IT IS FURTHER ORDERED** that, as set forth in paragraph 43, supra, Ameritech may make an interim adjustment to its Central Office Build-Out Charge by applying the relevant Rate Adjustment Factor as provided in Appendix C to this Order.

48. **IT IS FURTHER ORDERED** that the local exchange carriers must file tariff revisions consistent with this Order no later than November 12, 1993, to be effective on November 15, 1993. For this purpose, Sections 61.56, 61.58 and 61.59 of the Commission's Rules, 47 C.F.R. §§ 61.56, 61.58 and 61.59, **ARE WAIVED** and Special Permission No. 93-979 is assigned.

49. **IT IS FURTHER ORDERED** that the accounting order set forth in the Bureau's Suspension Order shall remain in effect pending resolution of this investigation. Thus, pursuant to Sections 4(i) and 204(a) of the Communications Act, 47 U.S.C. §§ 154(i) and 204(a), the local exchange carriers listed in Appendix A **SHALL KEEP ACCURATE ACCOUNT** of all earnings, costs and returns associated with the rates that are the subject of this investigation, and of all amounts paid thereunder and by whom such amounts are paid. If, at the conclusion of this investigation, the Commission determines that the interim rates pursuant to this Order and/or the rates in effect during the suspension period are above just and reasonable rates for expanded interconnection service, we may require the local exchange carriers to pay refunds to interconnectors for service rendered during the five-month suspension period and/or service rendered between November 15, 1993 and the conclusion of our investigation. If we determine that interim rates pursuant to this Order are below the just and reasonable rates for expanded interconnection service, we may require interconnectors to pay additional charges to the local exchange carriers for service rendered between November 15, 1993 and the conclusion of our investigation.

50. **IT IS FURTHER ORDERED** that the motion to accept late-filed pleading filed by US West Communications, Inc. **IS GRANTED**.

¹⁰⁸ See footnotes 4 and 83, supra.

51. **IT IS FURTHER ORDERED** that this Order **IS EFFECTIVE** upon release.

FEDERAL COMMUNICATIONS COMMISSION

William F. Caton
William F. Caton
Acting Secretary

APPENDIX A

Parties Filing Direct Cases

Ameritech Operating Companies (Ameritech)
Bell Atlantic Telephone Companies (Bell Atlantic)
BellSouth Telecommunications Inc. (BellSouth)
Centel Telephone Company (Centel)
Cincinnati Bell Telephone Company (CBT)
GTE System Telephone Companies (GSTC)*
GTE Telephone Operating Companies (GTOC)*
Lincoln Telephone and Telegraph Co. (Lincoln)
Nevada Bell
NYNEX Telephone Companies (NYNEX)
Pacific Bell
Rochester Telephone Corporation (Rochester)
Southern New England Telephone Co. (SNET)
Southwestern Bell Telephone Company (SWB)
United Telephone Companies (United)
US West Communications, Inc. (US West)

* GTOC and GSTC are referred to collectively as GTE.

o United and Centel are referred to collectively as United/Centel.

APPENDIX B

Parties Filing Oppositions

Association for Local Telecommunications Services (ALTS)
MCI Communications Corporation (MCI)
MFS Communications Company, Inc. (MFS)
Public Utilities Commission of Ohio (Ohio PUC)
Sprint Communications Company L.P. (Sprint)
Teleport Communications Group, Inc. (TCG)
Teleport Denver Ltd. (TDL)